

Ranchers May Need To Deliver 1099 Forms for Services Performed
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Happy New Year! Although there are still several months until that April 15 tax date, now is the time to determine to whom 1099 forms need be issued and get those forms delivered. There are numerous instances in which ranchers need to issue 1099 forms for services provided to the operation.

Under IRS regulations, a 1099 form should be issued to certain non-employees who perform services and are paid over \$600 in a calendar year. This requirement can be broken down into 3 elements: (1) \$600 or more paid during the calendar year; (2) to someone who is an individual, LLC, partnership, or trust; and (3) for services. Each element must be carefully considered.

** \$600 or more paid during the calendar year.*

This is a cumulative amount, meaning that if total payments for a calendar year are more than \$600, a 1099 form is necessary. This would include a one-time payment of \$650, for example, or ten payments of \$65.

** To an individual, LLC, partnership, or trust.*

This element is surprising to many ranchers, who are frequently under the impression that LLCs and partnerships were exempt from the 1099 requirement. That is not the case. If the payee is a corporation, then no 1099 needs to be issued, but for other business entities, including LLCs, partnerships, and trusts, 1099s are required.

** For services.*

Services include ranch-related work such as shredding, hay hauling, day work with cattle, tax preparation, business-related attorney's fees, equipment repairs, custom harvest or farming work, and pasture rents. This means if you are a tenant leasing pasture from a landowner for more than \$600, a 1099 form should be provided to the landowner each year. Likewise, if you hire someone to bale hay for \$600, a 1099 is required. Finally, if you pay more than \$600 to a veterinarian, attorney, or accountant a 1099 is required.

There are certain activities for which a 1099 is not required, including hauling or storage of grain or livestock and the purchase of seed, fertilizer, chemicals, fuel and other non-service items.

1099 forms are due to the recipient by January 31 the year after the work is done. Thus, for services performed in 2014, 1099's are due by January 31, 2015. The 1099 forms are due to the IRS

by February 28 (if paper filing) or March 31 (if e-filing). Importantly, in order to issue the 1099 form, ranchers must obtain the necessary information from anyone performing services. Thus, it is recommended that prior to paying someone for services, the person's name, mailing address, and social security number/tax identification number should be obtained. All of the necessary information for completion of a 1099 can be obtained by requiring the person to require a W-9 form, which may be an easier method than trying to remember to collect each necessary piece of information.

If a rancher fails to send out 1099 forms in accordance with these regulations, he or she could face monetary penalties. Penalties for failure to file range from \$30-\$100 per 1099 for late filings or up to \$250 per 1099 for intentional disregard. **All producers should speak with their accountant to discuss the necessity of 1099 forms for their individual operation.**